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STRATEGY RESEARCH PROJECT

IT'S THE ECONOMY! A LONG TERM STRATEGY TO RESOLVE THE BRCKO ISSUE AND ACHIEVE REGIONAL STABILITY IN BOSNIA

BY

LIEUTENANT COLONEL PETER S. CORPAC United States Army

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USAWC STRATEGY RESEARCH PROJECT

IT'S THE ECONOMY !

A Long Term Strategy To Resolve The Brcko Issue and Achieve Regional Stability In Bosnia

by

Lieutenant Colonel Peter S. Corpac

Dr. R. Craig Nation Project Advisor

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U.S. Army War College CARLISLE BARRACKS, PENNSYLVANIA 17013

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ABSTRACT

AUTHOR: Lieutenant Colonel Peter S. Corpac

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Bosnia Herzegovina is a volatile, dangerous place. The fighting has stopped but there still is no peace. Bosnia today has at best, achieved a condition of "Not War". The NATO force cannot stay in Bosnia indefinitely. At some point, the cost and danger of the operation will be too great for the member nations to bear. The underlying economic and social problems in Bosnia must be addressed before violence erupts.

A long term strategy is proposed that uses economic development, the creation of jobs and revenue through private investment, to implement the desired social reforms. Build on the accomplishments of the Dayton Accord, emphasizing economic reconstruction as the primary element to achieve lasting regional stability. Brcko, one of the most explosive areas in Bosnia, serves as the prototype community to implement this strategy.

NATO military, diplomatic and economic pressure, along with the extraordinary powers of the United Nations Office of the High Representative (OHR), set the conditions for success. The military continues to provide stability. The essential tax, tariff and trade laws are either enacted by the Bosnian legislatures or decreed by the High Representative.

Rebuilding the infrastructure and manufacturing facilities, both in the Federation and the Republic of Srpska, provide employment and will make the local economies self sustaining. Foreign aid and loans to Bosnia will rebuild infrastructure and pay for public services in all areas. A new, complimentary economic program provides low cost loans and political turmoil insurance for foreign private sector investment in Bosnian manufacturing facilities. Investment is focused on industries that produce products and require raw materials from Bosnia and surrounding countries. Economic growth and commercial interdependence will be the driving force to begin solving the long term political and social problems of Bosnia.

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"The truck bomb that detonated early this morning at Camp McGoven did more than kill 87 American soldiers, it destroyed American foreign policy in Bosnia".

Associated Press, January 200

This future event is entirely possible. Bosnia remains a dangerous place. Any of the factions could strike out against the NATO force, causing significant casualties, if they no longer perceive it is in their best interests for the force to remain. The underlying economic and social problems in Bosnia must be addressed before violence erupts and the country dissolves back into anarchy.

The National Security Strategy and policy of the United States strives to protect and enhance American interests throughout the world. The present United States policy and priorities will be examining in light of the current situation in Bosnia. I will show how the current policy can be modified to more effectively achieve the desired objectives.

The proposed policy continues to implement the General Framework Agreement for Peace in Bosnia and Herzegovina, or "Dayton Agreement", but places the immediate priority on economic reconstruction. It uses NATO military, diplomatic and economic pressure, along with the extraordinary powers to arbitrate decisions conferred on the United Nations Office of the High Representative (OHR), to set the conditions for success. Jobs and a viable economy are the keys to peace in Bosnia. Foreign

aid will continue to be used to rebuild the infrastructure in Bosnia. A new, complimentary program will be implemented that encourages and funds private investment in Bosnia's industry. Low cost loans for private investment in manufacturing facilities will help develop the local economy. Economic growth and commercial interdependence become the driving force to begin solving the long term political and social problems of Bosnia.

The policy will first be discussed in general terms and then the Opstina of Brcko will be used to illustrate specific examples of the policy. Brcko, one of the most explosive areas in Bosnia, is an the ideal location to begin private investment and implement this new policy in Bosnia.

BRCKO

The Opstina of Brcko, the town of Brcko and surrounding area, is in the far Northeastern portion of Bosnia Herzegovina, bordering Croatia along the Sava River. At Brcko, the strategic Posavina corridor, connecting the eastern and western portions of the Republic of Srpska is at its narrowest point, less than five kilometers. Prior to the war, the Opstina of Brcko was a multiethnic community with a small Serbian majority. Brcko was the site of some of the heaviest fighting of the war. The outskirts of the city and surrounding communities were almost completely destroyed, with most non Serbs being driven from the corridor. The control of Brcko is such a volatile topic that the Dayton

Accord did not decide the issue.² Serbs believe strongly that the city should stay part of the Republic of Srpska and say they are willing to go to war to secure it.³ Muslims insists the town should return to their control while the Bosnian Croats want the town split three ways, a portion for each entity.⁴ The "Supervisor for Brcko" was established by the Rome conference of February 1997 to supervise the implementation of the Dayton Accord in the Opstina of Brcko.⁵ Camp McGovern, an American a military base just outside Brcko, in the zone of separation, provides a ready military force to maintain stability and assist the Supervisor in Brcko.

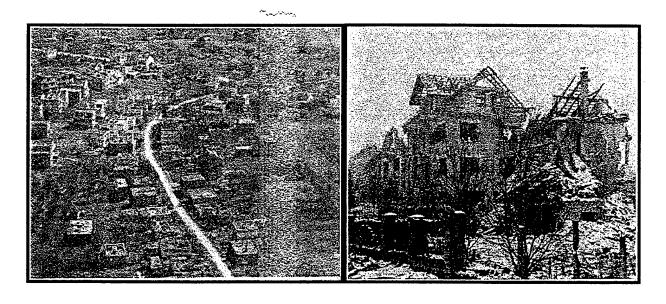


FIGURE 1: DESTRUCTION IN BROD FIGURE 2: COMPLETELY DESTROYED

FIGURE 1 This small town, outside of Brcko, shows the level of destruction in Bosnia.

FIGURE 2 Homes and apartments damaged by the fighting were then stripped bare by the victors.

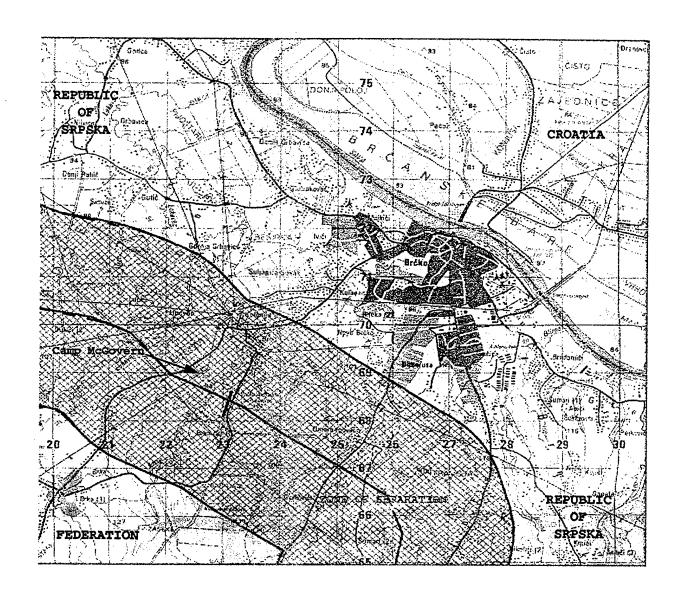


FIGURE 3. BRCKO

The strategic city of Brcko in the Posavina Corridor. The Republic of Srpska is less than 5 kilometers wide at this point. Cross hashed area depicts the 4 kilometer Zone of Separation between the Republic of Srpska and the Federation.

CURRENT UNITED STATES POLICY

The national security interests of the United States in Bosnia are regional stability, development of democratic institutions, growth of a free market economy, and addressing long term humanitarian concerns. The United States is committed to fully implement the Dayton Peace Agreement. That agreement directed NATO to oversee the demobilization of the militaries and called for swift implementation of the civilian aspects of the agreement. The civilian implementation includes free elections, the right of refugees and displaced persons to return to their original homes, arrest of indicted war criminals and an economic reconstruction program for the entire country.

The United States uses a multi-pronged strategy to implemented the policy. First, the United States will not allow Bosnia and Herzegovina, made up of the Federation of Bosnia Herzegovina and the Republic of Srpska, to be partitioned. This is seen as condoning ethnic cleansing, rewarding aggression and extremism and setting a precedent for resolving future wrongs in other areas. Second, we have taken all actions possible to support the establishment of a moderate Serb government. This includes the limited use of military force and most importantly, denying almost all economic aid to the Republic of Srpska. The third part of the policy is the use of political, military, economic and diplomatic pressure to return refugees and displaced persons to their original homes. The return of these

people and the trial of suspected war criminals is the stated top priority of the United States, but only limited progress has been achieved in these areas. The United States is committed to establishing democratic institutions in Bosnia and primarily uses the power of the Office of the High Representative to achieve this objective. The final part of the strategy has been to provide limited funds and aid for reconstruction to portions of Bosnia that are fully implementing the Dayton Accord.

THE SITUATION ON THE GROUND IN BOSNIA

Implementation of the military portion of the Dayton Accord has been successful. The fighting has stopped. We no longer have ethnic cleansing and the terrible human tragedy of innocent people being slaughtered. The out of sector deployment of NATO combat forces, as well as the integration of Russian and other non-NATO forces, has been absolutely superb. Yet, we have not achieved peace, at best, we have achieved a condition of "Not War". 15

The Dayton Agreement called for all three ethnic entities to live together in one single multi-ethnic state. However, the deep seated hatred and divisions among the different entities remains and make this a very long term goal. The West has vigorously supported the new, moderate government of Biljana Plavsic, hoping that she will fully implement all provisions of the Dayton Accord. Plavsic is seen as a moderate by the

international community, but was a strong supporter of the war and condemned the Dayton accord when it was signed. The newly elected, moderate Prime Minister of the Republic of Srpska, Milorad Dodik, has stated that those who see the Dayton accord as an interim step toward creation of a unified Bosnia are being unrealistic. He said that the consequences of the war are so great that "it's impossible to return or build the society which existed in 1992. The national and local elections have not brought the country together as one nation, but have somewhat formalized the ethnic separation that already exists on the ground. In many cities and towns, the majority is still unwilling to share power. At the notorious Srebenica, diplomats attempting to install the minority legislators, elected by absentee ballot, were stoned by angry crowds.

Roughly 2.1 million Bosnians were forced from their homes during the war with some 300,000 having returned. However, less than 30,000 of these returned to homes where they are part of the minority group with about 80,000 additional people, mostly in Sarajevo, leaving their homes since the Dayton Accord was signed. There has been tremendous resistance on all sides to return displaced persons and refugees to their homes where they are now a minority. The Federation government has been threatened with the loss of foreign aid and the Serbs have destroyed the homes of Muslims attempting to rebuild in the Republic of Srpska. The President of the Republic of Srpska, Biljana Plavsic, stated that she seeks an equitable solution to

the refugee problem.²² However, She does not have adequate housing for the Serbs currently living in the region, much less for returning refugees and displaced persons.²³ This is true throughout Bosnia.

The economic recovery of Bosnia Herzegovina has been extremely weak, despite the infusion of international funds. The restructuring and reintegration of the Bosnian economy to make it competitive in the modern European market has barely begun.²⁴ Distribution of aid and the reconstruction effort have been very one sided. The majority of funds have gone to the Federation for rebuilding internal infrastructure and homes. At the end of 1997, the Republic of Srpska had received only two percent of the support and its economy is in shambles. Economic growth there has been close to zero, wages one third of the level of the Federation, and inflation very high.²⁵ Pushing ahead with Bosnia's reconstruction and setting up a market economy are critical to reviving the economy.²⁶ The lack of an industrial revival has meant continued high unemployment and many Bosnians do not see the benefit of peace.²⁷

Brcko is typical of many communities in Bosnia. It is not an integrated multiethnic community. Serb forces ethnically cleansed Brcko and the surrounding towns during the war. After two years of work and much violence, only 600 Muslim or Croat families have returned to the Brcko area. Resettlement has been more of a chess game than reunification. The return of a small

group of one faction is quickly met by the resettlement of a similar number of another faction. The municipal elections, with heavy absentee Muslim and Croat voting, returned a slim Serb majority. The city's newly elected multi-ethnic government is just now beginning to function. The economic situation in Brcko is similar to many cities in the Republic of Srpska. Very little international aid has been provided to the city. Brcko is the second most active town economically in the Republic, but less than 2000 people are employed in the local economy. Serbs in Brcko believe that getting the economy started and solving unemployment is critical to solving the long term economic and social problems.

A STRATEGY TO ACHIEVE REGIONAL STABILITY AND PEACE

The primary objective of the United States National Security Strategy in the Balkans should be to achieve and maintain regional stability. The most effective method to achieve that objective is to rebuild the local economies and develop a commercial interdependence that supersedes the threat of NATO military action as the reason for peace.

The United States will continue to support and implement the Dayton Accord. The Dayton Accord provides legitimacy to all our efforts in Bosnia. There will be a different focus to the policy, with economic reconstruction becoming the most important element Key aspects of the policy are:

- * Set The Conditions For Success
 - ** Maintain Stability With A Military Presence
 - ** OHR Oversees The Implementation Of Bosnia Financial Reform
- * Foreign Aid And Loans To Government To Rebuild
 Infrastructure And Public Services
- * Program To Develop Private Investment
 - ** Expand The World Bank Political Insurance Fund
 - ** Establish World Bank Fund For Low Cost Loans To
 Invest in Manufacturing Facilities
- * Develop Bosnia's Industry and Local Economies
- * Use Economic Growth To Implement Social Reforms

Jobs and a viable economy are the keys to peace in Bosnia.

Rebuilding the infrastructure and manufacturing facilities, both in the Federation and the Republic of Srpska, provides employment and enables the local economies to become self sustaining.

Foreign aid and loans to the Bosnia government will continue to fund rebuilding the infrastructure and paying for public services in all areas. Low cost loans and political turmoil insurance for foreign private sector investment, encourages private investment

in Bosnian manufacturing facilities. An active campaign effort will attract investment in those industries that produce products and require raw materials from Bosnia and surrounding countries.

The United Nations Office of the High Representative (OHR) will oversee the program. The Supervisor for Brcko, the OHR representative in that city, would oversee implementation in Brcko.

Bosnia Herzegovina will remain a single country, made up of a loose confederation of states, the Federation and Republic of Srpska. The reintegration of the different entities into a single homogeneous community is a long term goal. Aid and assistance will be provided to all sides without political preconditions. The most contentious issue, the resettlement of displaced persons and refugees back to their former homes, will continue to progress slowly. The focus will be to build a new life for these people. Reunite the family in a new home, with a job and a future. The primary rebuilding effort is to provide adequate shelter for all. New construction will be low cost housing for the workers of the rebuilt factories. This building effort, combined with a program that compensates minorities based on the fair market value of their lost homes, would relieve the pressure to return refugees and displaced persons.³²

SETTING THE CONDITIONS FOR SUCCESS

Tim Forbes, President of Forbes, stated that investment capital will move to those areas in the world that provide the best conditions for success. It is important to establish the local conditions that encourage private investment in Bosnia's industry. Private investors and foreign companies will invest in Bosnia only when they believe the long term return on investment is greater in Bosnia than in other developing countries. The key conditions identified by industrial leaders are political stability, an infrastructure to sustain operations, a skilled labor force and favorable financial climate. As a state of the state of the sustain operations and skilled labor force and favorable financial climate.

MAINTAIN STABILITY

Stability and the rule of law are absolute requirements for foreign investment in Bosnia. NATO military power remains the premier stabilizing force in the region. The NATO force in Bosnia will be used to shape the environment and provide the time needed for other elements of national power to fully implement our strategy. A credible combat force must remain visible on the ground in Bosnia, ready to respond to any emergency. The military will continue to monitor the conventional forces in Bosnia and be prepared to quickly destroy the entities' heavy weapons. The presence of NATO forces demonstrates to the citizens of Bosnia that NATO will not permit them to start the war again or allow Serbia and Croatia to annex parts of Bosnia by

force.³⁶ The location of the NATO force will be adjusted and the size reduced as the economic reforms reduce tensions in the region.

The proposed armed paramilitary force bridges the gap between NATO, local police units and the unarmed International Police Force (IPTF). The local police, advised by the IPTF, remains responsible for local law enforcement.³⁷ The new paramilitary force will handle serious local disturbances.³⁸ If the proposed paramilitary force is not deployed, then size and composition of the NATO forces will be different. NATO would also continue to act against threats that are beyond the capability of the local police forces.

REDUCE POLITICAL RISK

Major corporations, deciding whether to invest in a location such as Bosnia, evaluate the political risk of the region. They look for a stable government, no social unrest and a fair and impartial legal system. The cost to a company of a revolution or nationalization of the facility, is extremely high. If there is a possible problem in this area, guarantees must be secured to offset that risk. Obviously, Today Bosnia is seen as risky investment in this area. To offset that risk the World Bank currently provides companies investing in Bosnia financial insurance for political risk.³⁹ A private corporation, owned by the Government of Bosnia and Herzegovina administers the program

for loan guarantees against loss caused by political unrest and war. 40 This program is currently for modest investments and cost three percent of the loan. 41 It needs to be expanded, cost under written by contributing nations, and coverage provided to investments in the Republic of Srpska.

SOUND INFRASTRUCTURE

A sound infrastructure is needed for industry to flourish. Power for production facilities, a sound transportation network, and the ability to move raw materials into the factory and goods out to the market, are an essential foundation for industrial growth. 42 The required infrastructure for industrial development in Bosnia was significantly damaged in the war. Fortunately, in most parts of Bosnia, the infrastructure has been repaired and is now already available for use. There has been very heavy truck traffic on the main roads into Bosnia and a functioning rail service since April 1996.43 A good deal of the aid for the Federation reconstruction has gone into repairing and rebuilding the main road networks, railroads and power plants. The Republic of Srpska has not received the same amount of aid and the infrastructure needs additional work. Recent loans and aid by the United States, the European Union and World Bank are directed at repairing water, power networks and other infrastructure projects throughout Bosnia.44

FINANCIAL REFORM

The financial environment is one of the most important concerns for foreign investment. Key economic considerations include favorable laws on joint ownership, taxation and trade barriers that inhibit the movement of goods, 45 and a stable, easily convertible, currency. 46

The Federation and Republic of Srpska do not have tax or trade laws that are conducive to free trade. Enterprises must operate under a steep payroll tax that discourages investment. 47 The restrictive trade and tariff regimes of the two entities within the Federation are an obstacle to the free flow of goods and expanded trade. 48 This problem has been discussed in the legislatures but not solved. The UN High Representative is now empowered to impose binding decisions on the rival Muslim, Serb and Croat parties if they can not come to an agreement. 49 His decision to impose a common currency design was a critical condition for receiving additional large loans from the International Monetary Fund. 50 Establishment of a common tax and trade policy, as well as establishing conditions for foreign investments are within his power and critical to attract private manufacturing companies. The government of Bosnia should take immediate action to correct this problem. If the government is unable to reach agreement the High Representative must take immediate action.

Trade barriers between the Republic of Srpska and the Federation, as well as Croatia and Serbia inhibit trade. ⁵¹ The United States, European Union and other allies must bring diplomatic and economic pressure to bear on the neighboring Balkan countries to ease restrictions on trade with Bosnia. Movement and sale of goods and supplies from all parts of Bosnia across the borders of neighboring states is critical to the economic growth of Bosnia and the entire region.

The Supervisor in Brcko has been given extraordinary powers to allow him to begin to rebuild the political, judicial and economic organizations of the Opstina. He has the power to promulgate binding regulations and laws, oversee the judicial and police systems, set taxation law, and implement local democratization. The Supervisor also has the power to remove from office any public official considered to be uncooperative. Ambassador Farrand has been using these powers and the results have been a slow and steady progress towards the establishment of democratic institutions in Brcko. The new multi-ethnic institutions are beginning to take hold but are shallow rooted. The Supervisor's powers, along with the NATO military presence at Camp McGovern, provide the stability needed for economic reconstruction.

Brcko has an exceptional transportation network that has been almost completely repaired. The east to west road system through the Opstina carries all the commerce between the parts of

the Republic of Srpska. The rail transportation line running through the Federation into Brcko and across the Sava river into Croatia is fully operational but seldom used. Serbs argue that the Croatians restrict its use by imposing very high tariffs and trade restrictions. The port of Brcko is potentially the most lucrative transportation and commerce point in the region. It serves as the door to the waterways linking the landlocked Muslim-Croatian Federation to the rest of Europe. 56

The Tribunal increased the Supervisor's power so that he can continue his concerted effort to revitalize the local economy. He has the power of negotiating directly with the Republic of Croatia for customs procedures and border crossings in the area. The Supervisor is authorized to create a duty free or special economic zone to stimulate the region's economy and privatize state and socially owned enterprises. All of these powers and measures enable him to set the stage for private investment into Brcko.

REBUILDING THE ECONOMY

INVESTMENTS

A combination of direct foreign aid, loans to the government, private investment insurance and low cost loans to private industry is needed to revitalize the Bosnian economy.

Private ownership, both as a joint venture and by private

citizens of Bosnia, will greatly enhance the growth of a free market economy in Bosnia.⁵⁹

The majority of the financial assistance to Bosnia since the Dayton Accord has been to the Federation, through direct foreign aid and loans to the government. These were primarily used to repair the shattered infrastructure and pay salaries for essential workers. 60 Recently, the United States and the rest of the world community have authorized aid to the Republic of Srpska. Secretary of State Madeline Albright signed the required waivers in January 1998 to allow aid to the Serbs. 61 This serves as a tool to help the moderate Serb government consolidate power. 62 The European Union has already begun providing financial aid to the Republic of Srpska to pay the salaries of essential workers and repair water and power networks. 63 All of these programs are a step forward and help repair the country's infrastructure. However, it does not adequately address the critical problem of private sector development and unemployment.

Private companies will not invest in a country with a history of political instability, such as Bosnia, unless there are compensating guarantees to offset that risk. I have already outlined how the World Bank provides companies investing in Bosnia financial insurance for political risk. Once that political risk has been eliminated, then corporations evaluate the local conditions for this investment opportunity against all others. Prior to the war Bosnia was a modern, highly

industrialized society. Today, when companies look at key investment conditions such as an infrastructure to sustain operations, availability of a skill labor force and the financial climate, Bosnia does not fare well against other emerging markets. 66 Additional incentives are needed to stimulate invest in the country.

Manufacture companies looking to begin new operations in an area require secured capital for the establishment of operations. 67 The World Bank, receiving money from the International Monetary Fund or individual nations, should establish a low cost loan program for the development of private industry in Bosnia. The international economic assistance plan, somewhat reminiscent of the Marshall Plan, will be used to develop industry production and pursue export led economic growth. 68 The United States and other nations who have been willing to invest the lives of their soldiers, must now invest money to rebuild the economy and allow the withdrawal of those soldiers. American and other donor nation firms will benefit from this program as they are the prime candidates for the joint venture, low cost loans in Bosnia. This program will provide the funds to rebuild the industries in the country, create employment opportunities and move the country towards a free market economy. We want to encourage the development of economies that are no longer dependent on foreign or government subsidies.

DEVELOPING THE RIGHT INDUSTRIES FOR BOSNIA

Bosnia must attract businesses and industry that are economically viable, employ the maximum number of people possible and best contribute to the development of the local economy. Key considerations are the natural resources of the region, availability of labor, cost of establishing operations, available local markets and the immediate needs of the people.

The former Yugoslavia was one of the premier industrial nations of Eastern Europe and had an educated and skilled work force prior to the war. This work force, now largely unemployed, provides the skilled labor needed in the new manufacturing facilities. Housing for workers will serve as an incentive to attract highly skilled workers. Linking the building of these homes to low cost loans granted manufacturers provides additional housing to help resettle refugees and displaced persons.

Facilities that manufacture, distribute and sell food and essential products is the first priority to be funded. These will benefit the local community and are a viable export. There is abundant farm land in Bosnia Herzegovina where corn, wheat, rye, tobacco and other cash crops are grown. Many farms still use animal labor and obsolete equipment. Investment in modern agricultural equipment and methods will significantly increase productivity and provide food for the local area and export These advances will slowly spawn manufacturing

facilities for canning, processing meat and the manufacture of textiles and clothing. Local stores, markets and transportation are already needed to sell these products as well as imports.

The former Yugoslavia was known for its natural resources and production of chemical fertilizers, rubber, plastics, ammonia, liquefied gas, coke and petroleum by-products in the 1980's. To Bosnia Herzegovina produced 56 percent of the former Yugoslavian bauxite prior to the war. These industries, especially those with minimal war damage or modern equipment, are the prime candidates for foreign joint ventures.

Building materials and construction companies will be needed for many years in this war torn country. Many of the raw materials and skilled labor needed for construction are available in Bosnia. Capital investment in private companies, as well as joint ventures, allow the needed to modernization, restructuring and expansion of this sector of the economy. The World Bank is already taking tentative steps in this direction by providing credit for investment in the Republic of Srpska timber industry.⁷²

Many factors influence the establishment of manufacturing facilities in Bosnia and must be evaluated on a case by case basis. Such things as the existing structures and facilities, competition and available equipment determine the cost and size of a manufacturing firm. There is also significant benefit to a

foreign company if there is a local market for the goods manufactured in Bosnia and a market for the company's other products. The United Nations Office of the High Representative should oversee this economic development program. The High Representative will evaluate the regions of the country, determine the most economically feasible types of industry, and provide that information to the World Bank. The World Bank then determines recipients of the low cost loans program.

Brcko is an the ideal location to begin private investment in Bosnia. The Supervisor's power to regulate commerce and establish a special economic zone, compliment the central government's currency, tariff and tax reform. Brcko has a skilled work force, Muslim, Croat and Serb, as well as industrial opportunities that could be immediately exploited.

The first step to establish private investment in Brcko will be to relocate the flourishing "Arizona Market" to a protected, sheltered location near Brcko. The Arizona Market began as a small meeting spot, in the zone of separation, under the watchful eyes of an American military position. Here, friends gathered to talk and exchange goods. It quickly grew to a large open air market where people of all ethnic origins came to sell or buy goods. There was minimal supervision and no taxation. Moving the market to Brcko allows a stable enterprise to operate under the new business procedures and tax laws. The laws of Brcko, such as freedom of movement would apply to vendors and customers

alike. This new Arizona Market would also provide Brcko with tax revenue, controlled by the Supervisor, for the basic needs of all the citizens.

The city of Brcko, UN Office of the High Representative, and member nations need to actively recruit and attract business to the Brcko area. The low cost loans of the World Bank, political insurance and demonstrated special economic zone would be used to attract private business. Brcko already has facilities, labor and expertise in battery manufacturing, shoe manufacturing, oil refining, and production of poultry, livestock, canned fruits and vegetables. 74

These first joint ventures have markets in the local area, as well as the Federation, Serbia, Croatia and the rest of Europe. The Brcko situation allows the needed business environment to be created for a market economy to take hold. The creation of jobs, coupled with the power and guidance of the Supervisor, allows us to advance the underlying social issues of the Dayton Accord. Such issues as freedom of movement, equal employment, housing for workers, and a free multi-ethnic municipal government become a necessary for continued economic prosperity.

THE IMPACT OF THE NEW STRATEGY

The objective of the new strategy is to use economic development, the creation of jobs and revenue through private investment, to implement the desired social reforms. Build on the accomplishments of the Dayton Accord, emphasizing slightly different aspects of the accord to achieve lasting regional stability. Brcko should serve as key to Peace in Bosnia, not the flash point for war. It should stay under international jurisdiction for at least another two years, until the multiethnic, democratic government and a free market economy take firm root.

Bosnia is gradually becoming a functioning democratic nation. Whether intended or not, it has evolved into a country with a weak central government and two strong federal entities. Democracy is a new concept to the region and will have to be nurtured. The United Nations Office of the High Representative will remain in the country for a considerable time overseeing the growth of democratic institutions. The link between the success of the economy and democratic and financial reforms has been established and must be continually emphasized.

The guarantee of freedom of movement for employees, raw materials, finished products and people to purchase goods is a precondition for investment in the country. The positioning of manufacturing facilities, markets and raw materials makes the

movement of goods and people across boundaries routine. These manufacturing facilities will be multi-ethnic and provide an industrial and personal tax base to improve public services and facilities. Investing in industries that produce products and require raw materials from the area and surrounding countries makes the movement of raw materials and trade across boundaries beneficial for all. Use the creation of jobs as leverage to achieve the long term goals of an integrated, interdependent society. The goal is to establish strong international and regional trade so that it is not in the best interests of any party in the region to disrupt it.

The return of refugees and displaced persons will be a slow, painful process and should not be the basis for economic aid. The first priority will be to build or refurbish adequate housing for all refugees and displaced persons. Some will return to their original homes, but a good portion of the families will start a new life, employed and sheltering his family in a new home. Larger companies, as part of their low cost loans contracts, will be required to build or refurbish a portion of housing for the community. It will house families from all three factions. This is not a validation of ethnic cleansing but a realization that the reintegration of the society will take generations. Some minorities will choose to resettle in their former homes. The Federation and Republic of Srpska should establish and respect minority rights. The United Nations, NATO and American leadership must withstand the political and public

pressure to immediately return all refugees and displaced persons to their former homes. The pressure has to be met with a realistic assessment of the situation and a long term plan for settlement and regional stability.

A second emotional point that must be addressed is question of suspected war criminals. Tying the capture of accused of war criminals to aid and development has been counterproductive and had a destabilizing effect. A military operation to capture high profile suspected war criminals has the potential to ignite nationalist passions that will unravel everything that has been accomplished. These criminals must continue to be isolated, using time and economic prosperity to diminish their influence and then allow captured at an opportune time. Even the President of the Republic of Srpska, Biljana Plavsic, has stated that she sees an eventual transfer of all Serb war criminals. Continued diplomatic pressure and economic prosperity will, over time, will enable these criminals to be brought to trial without reigniting the war and destroying the country.

CONCLUSION

The NATO force cannot stay in Bosnia indefinitely. At some point the cost and danger of the operation will be too great for the member nations to bear. The military forces are not directly threatened now but at some point they will be perceived to have

moved form a benevolent force of intervention to an army of occupation in the minds of those we went to help. The exit strategy for these forces is to create a dependence on trade that supersedes the threat of NATO military action as the reason for peace.

Only the people of Bosnia can ensure a lasting peace in Bosnia. The NATO military actions have set the conditions for civilian implementation of the Dayton accord . A policy, primarily focused on economic reconstruction is the offers the best chance for the civilian implementation to succeed. The world community can not be expected to continue this type of effort indefinitely. The people of Bosnia need to take advantage of the this last opportunity for peace. (5583)

ENDNOTES

¹United States Ambassador and Supervisor for Brcko William Farrand, speech and interview by author, 15 January 1998, Carlisle, PA

²US Department of State, <u>General Framework Agreement for</u>
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